Home Products

CE Buyers Look to Video Games and Cassettes

LAS VEGAS, Nev. — Last month's Winter Consumer Electronics Show left retailers with few clear signals to indicate where their CE business is heading in 1988 and little suggestion on what products to add to their current lines.

Retailers, in general, concentrated on how they could expand categories like video games and prerecorded video that sold best in 1987.

For most, the two best selling categories in 1987 were video games and prerecorded videotapes. While audio was soft in 1987, retailers look to 1988 as a better year.

John Zurlo, merchandise manager at Secaucus, N.J.-based Jamesway, said he expects growth in the game market this year and will be taking a closer look at video games.

Richard Millner, CE buyer at Abilene, Kan.-based ALCO, said that Atari game sales at his chain doubled last year. He plans to test Nintendo in five stores as an addition to Atari. But, "if it takes dollars away from Atari then it doesn't make any sense to carry Nintendo," he said.

The sale of prerecorded video has become a good year-round business for a number of discounters. At Jamesway, videocassettes at $29.95 and under sold well throughout the year, Zurlo said.

Although ALCO is not turning its inventory adequately in the 45 stores that carry prerecorded video, Millner believes that adjusting the mix, weeding out multiple titles and increasing advertising support can improve that performance.

ALCO's assortment consists of 125 titles in box office hits, 30 in children's titles, 35 in public domain and 40 titles in cartoons. Box office hits and cartoons are the two hottest categories for the discounter.

Millner said that he does not carry any prerecorded video that sells for more than $29.99 and the magic price point for the category seems to be $19.99, he said.

Manufacturers believe that retailers would have more success in turning their "how-to" videocassettes if they put the video where the target customer is by cross merchandising.

Cross Merchandising Videos

For example, several suppliers suggested putting fishing tapes in sporting goods, cooking tapes in housewares, children's titles in toys and knitting how-to's in the sewing section.

Many pointed to the example of Minneapolis-based Target, which was very successful last summer when it sold a "how to barbecue" videocassette in its outdoor department.

Since there weren't that many new product introductions at this year's WCES, Millner of ALCO took an interest in a nostalgic-style radio made by Thomas America Corp., Norman Rockwell Division, in East Brunswick, N.J.

This table model radio with brass knobs and a cassette player on the side will be tested in half the ALCO stores at an $80 price point.

Millner said he saw an appreciation for nostalgia by his customers three years ago when ALCO successfully sold tapes of old radio shows.

Millner, whose ALCO stores cater to a decidedly working-class clientele, said that he considered several videocassette players, but still feels that the price points are too high at $169 to $189. It will take a price point of $99 to sell well at ALCO, he said.

ALCO will also change its assortment of color televisions: A 105-channel, cable-ready unit will replace a remote control unit with 12 preset channels. The chain will also carry a 13-inch model at $239 and a 19-inch model at $299. ALCO will test stereo TV at under $400 in the second half of the year in a selected group of stores.

Video games and prerecorded videotapes, shown here at Harts, Fairfield, Ohio, were the best selling CE products in 1987 for most retailers. (DSN photo)

While retailers saw a softness in audio in 1987, they expect 1988 to be a better year as compact disc players gain more acceptance.

Jamesway carries one CD player for $180 and 3 to 4 sku's of rack systems with CD players with prices ranging from $300 to $450. Zurlo has seen some price reductions in CD hardware and more competitive pricing on CD software.

Millner of ALCO said that CD software is still priced too high for his customers. "It needs to break the $10 price point to start selling well," Millner said. ALCO carries two CD players ranging in price from $99 to $299. Millner said ALCO is considering testing 3-inch compact disc singles for $4.

Brad Anderson, executive vice president of sales and marketing for Minneapolis-based Best Buy, said that a lower price point on the multi-disc CD players from $299 and up will also spur more sales in audio.

Anderson said the chain was ahead of budget on CD players and the software business is doing well. The chain sells the 3-inch singles for $4 and regular size CDs for between $12 and $15.

Anderson agreed that audio, in general, was not as hot in 1987 as in the previous year. However, the chain had a pretty good year despite the slump in this category's growth. Components seem to be selling more than the rack systems, he added.

Super VHS, like any new product, is selling reasonably well to a narrow audience with limited application, said executives of most consumer electronics specialty chains. The software availability is trailing the hardware and the category needs to drop further in price. Anderson of Best Buy believes the category will become significant in one and a half to two years.

Discount Stores, Minilabs Benefit From Photography Market Boom

Nationwide DSN Report

Americans took more pictures in 1987, and discount stores and minilabs were the main beneficiaries of the trend. According to the "Guide to the Photo Market for Mass Merchandisers," a report issued by Photo Marketing Association International, exposures were up between 12 percent and 15 percent during the first half of 1987, with most of the increase in 35mm film.

Much of the increase is attributed to the popularity of lens shutter cameras, which provide easy action and results acceptable to the lion's share of the amateur photo market.

(Continued on page 40)

MARKETWATCH

MOORESTOWN, N.J. — The **Juvenile Products Manufacturers Association** announced that membership in the organization rose 42 percent to 187 manufacturers in 1986 and 1987, following record years for its annual trade show. A spokesman said he expects membership to continue its strong growth, and anticipates another record year for the show, which will be held Nov. 13 to 16, at the Dallas Market Center's Apparel Mart.

* * *

EDISON, N.J. — **Crazy Eddie** reported a fiscal third quarter loss of $73 million, exceeding sales of $68.7 million for the period ended Nov. 29, 1987. The loss resulted mainly from an expected inventory shortfall of $65 million. Crazy Eddie's new management hired Touche, Ross & Co. as its new auditor and filed suit against former auditor, Peat, Marwick, Main & Co., forcing the big accounting firm to turn over work papers of its last audit and analysis of inventory.

* * *

BALTIMORE, Md. — The sixth annual **World of Window Coverings** show, set to make its debut here at the Baltimore Convention Center April 15 to 17, reported that suppliers have reserved a record amount of exhibition space for the 1988 show. Show sponsors said that exhibit reservations are up 20 percent over last year's show, which was held in Atlanta. "Ninety-five percent of the exhibit space has been reserved by leading manufacturers and suppliers of fabric, window covering products, equipment and related services," said J. Craig Misselhorn, manager of the show.

* * *

JACKSON, Mich. — The **Photo Marketing Association's** annual PMA show will take place Feb. 28 to March 3 at McCormick Place in Chicago. The show will feature, in addition to a near-total representation of major photo products suppliers, a five-day series of seminars (beginning two days before the show), as well as keynote speeches by columnists William F. Buckley Jr. and George F. Will, and Chicago Bears coach Mike Ditka. For more information on the show, contact the Photo Marketing Association at 3000 Picture Place, Jackson, Mich. 49201. Telephone: (800) 248-8804. In Michigan or outside the United States, call (517) 788-8100.

Discount Stores, Minilabs Benefit from Growing Photo Market

(Continued from page 39)

According to the report, the steady decline of the relatively complicated single lens reflex 35mm camera has been accelerated by lens shutter cameras and will be further sped up by the introduction of autofocus zoom shutter lens cameras, which are expected to become significant players in the upgrade market now dominated by SLRs.

SLR sales were down considerably to 650,000 units over the first half of 1987, which will fall far short of 1986 sales of 1.9 million units. Disc camera sales also continued to drop, although strong promotion by Kodak has kept the category alive.

Promotion also stimulated sales of instant cameras, as Polaroid's Spectra System received massive publicity and advertising support. According to the report, instant camera sales rose to 3.2 million units through 1986 from 3.0 million the year before, and were expected to continue to grow through 1987.

Photo Products Purchased at Discounters

Discount department stores are the outlets where on average:

23.7% of households purchased their newest camera
42.1% shopped when looking for their newest camera
22.5% plan to purchase their next camera
47.5% bought some of their film in the last year
15.2% had most of their film processed in the last year
61.0% purchased some of their photo albums

Source: Consumer Photographic Survey, Photo Marketing Association

A discount buyer noted, however, that growing "professionalism" among consumers has made 35mm the camera of choice among those able to afford instant cameras, boding poorly for the future of the category.

Polaroid has responded to that problem with the distribution of its own photo magazine, which promotes the professional capacities of its cameras. An early issue noted that Ansel Adams, America's best-known photographer, used the product and served the company in an advisory capacity.

The report emphasized that reports of the death of the 110 and other cartridge cameras are premature. "It is important that we recognize the role these cameras play in attracting brand-new customers to our industry," the report warned, noting that the ease of operation and low cost of cartridge cameras are very attractive to beginners, who later step up to more complex formats.

In the war for the profitable photo finishing dollar (an estimated $4 billion market), the report suggests that those retailers that own their developing facilities will have a long-term advantage over those that do not. Minilabs (many owned by discount stores) account for about one-quarter of rolls of film developed, but over one-third of dollar volume nationally.

Minilabs seem to be most attractive to 35mm users, which bodes well for their future growth potential, the report said. As the 35mm format rises to an estimated 75 percent of the film market (from a little over 50 percent in 1986), minilabs are expected to be a prime beneficiary of the boom. The average minilab now does about 80 percent of its business in 35mm.

Camcorder Sales Grow

Camcorders, one of the hottest developments in the industry, sold very well over the first half of 1987, with sales increases of 44 percent over the same period in 1986.

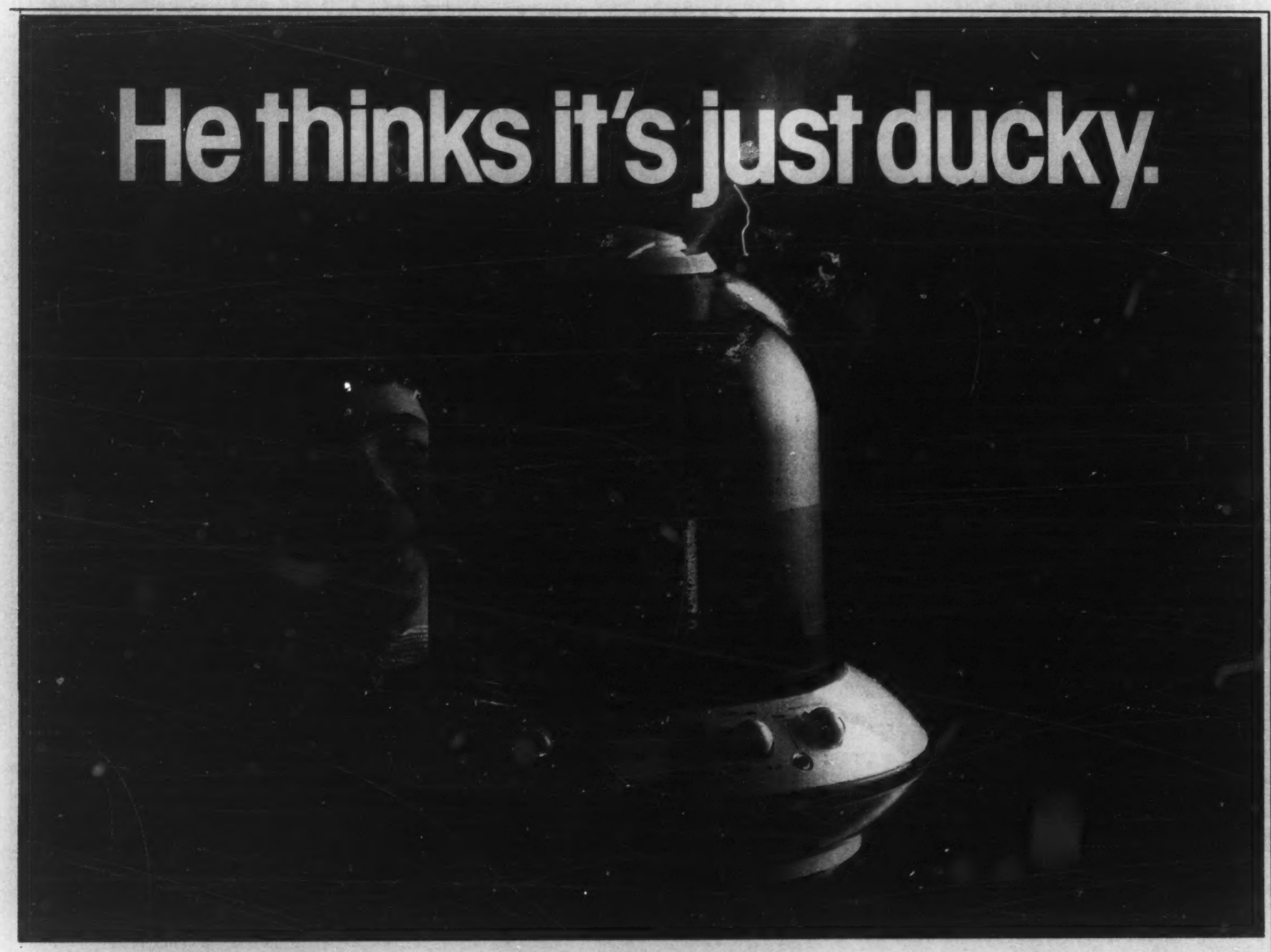
The product's attractiveness to wealthier consumers with large amounts of discretionary income indicates continued growth in the category, particularly in view of the introduction of the attractive, expensive and totally incompatible Super VHS, the optimal upgrade product.

Video transfer of 8mm and Super 8 reels has also picked up steam, although it remains a specialty business. The report estimated there are upwards of 200 million rolls of 8mm and Super 8 collecting dust in American attics, and expects a significant portion to find its way to video transfer facilities.

Discounters, in addition to dominance in film sales, have an edge in camera sales. Except for consumers under 25 years of age, discounters are the largest single camera source for all age groups. Discounters are also the preferred source among lower-income groups and the wealthy. Middle-income consumers are less likely to purchase their cameras from discounters, opting instead for catalog showrooms and camera stores.

Camera stores increase their share steadily as consumer education level goes up. Education seems to have little impact on discount stores; discounters' share varies widely, but in no consistent manner.

Photo Marketing Association International's "Guide to the Photo Market for Mass Merchandisers" is available from the Association at 3000 Picture Place, Jackson, Mich. 49201. Telephone: (517) 788-8100.



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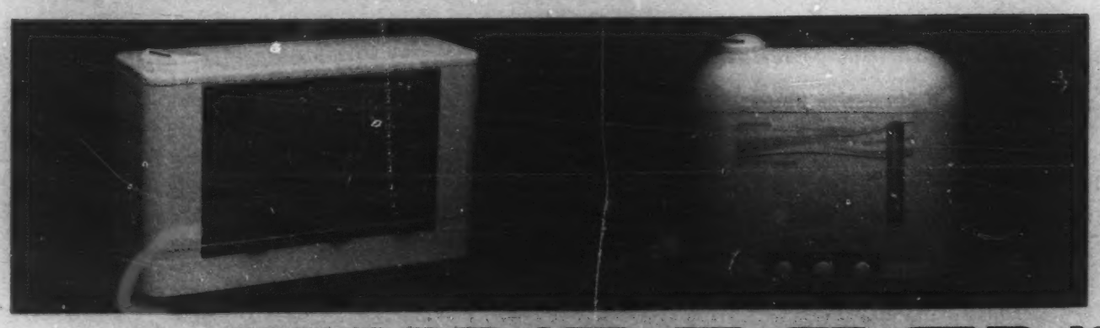

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TADs Pace Sales; Growth Seen for Fax, Copiers

Nationwide DSN Report

Sales of telephone answering machines are booming and discounters expect the growth to keep up through 1989, a survey of electronic home office retailers discovered. The report, conducted by Lebhar-Friedman Research, New York, found that all of the retailers surveyed stock answering machines, and those retailers reported that sales of the product rose 28 percent last year, with a similar increase projected for 1988.

The fastest growing products in 1987, according to the report, were facsimile machines (up 65 percent from 1986) and personal copiers (up 36 percent). However, indications are that the drama of those increases is due mainly to the fact that many discounters didn't carry either product at all in 1986. Projected increases for 1988 were more modest; 15 percent for personal copiers and 21 percent for facsimile machines.

As a percentage of sales among discounters, telephone answering machines were again an easy winner. Respondents said that the product accounted for 38 percent of their home office electronic sales. Typewriters, a higher ticket item, accounted for 35 percent; personal copiers, 13 percent; personal computers, 7 percent; and facsimile machines, 1 percent.

However, when only those actually carrying each product were considered, the percentages changed markedly. Telephone answering machines (obviously, given that all retailers carried them) remained unchanged at 38 percent, while the percentage of sales attributed to typewriters rose to 45 percent. Personal computers jumped from 7 percent to 22 percent and personal copiers rose from 13 percent to 33 percent. Apparently, those who choose to specialize in some of the less popular home office products are rewarded with significant sales results.

Product quality was considered the most important factor in deciding whether or not to carry a given home office electronic item, but price points and co-op dollars made nearly as much impact. Provision of a manufacturer hotline and training for sales people were lesser considerations.

A large majority (63 percent) maintain a distinct department for electronic home office products, and another 5 percent plan to establish such a department within the year. Retailers cited consumer identification and opportunity for add-on and impulse sales as the primary advantages of a separate department.

About a third of retailers who don't sell typewriters said that it was "very likely" that they would add them to their product mix this year. This contrasts to much weaker support for other electronic office products; while 21 percent of those who don't carry personal copiers said they might add them this year, they said they were only "somewhat likely" to do so.

About 16 percent of those who don't presently stock facsimile machines said they were "somewhat likely" to add them this year; 26 percent of those not in the personal computer market were similarly "somewhat likely" to add that product.

Respondents who stocked each product were asked what brand names they carried in their departments in each category. Panasonic and Phone-Mate were ranked equally high as the most popular telephone answering machine manufacturers (47 percent each), followed by Code-A-Phone (42 percent), Record-A-Call (37 percent), AT&T (32 percent), GE (26 percent), Sony (16 percent) and Dynascan/Cobra (11 percent).

Discounters who carry typewriters named Brother and Smith Corona as the most popular brands (42 percent each), followed by Panasonic (37 percent). Canon, Royal, Sharp, Casio and Silver Reed were also mentioned.

Panasonic, the most popular overall brand in electronic home office departments, tied for second among retailers who sell facsimile machines. Sharp finished first, followed by Canon, Panasonic, Toshiba and Northwestern Bell.

Commodore was the most popular personal computer, followed by Atari, Epson, Fuji, Blue Chip and Vendex. Canon, Sharp and Toshiba tied for first place among those who sell personal copiers; no other brand received a mention.

The research was conducted last fall by Lebhar-Friedman Research, a subsidiary of *DSN*'s parent company, among general merchandise managers and hard lines gmm's for 19 leading discount department stores, membership warehouse clubs, catalog showrooms and consumer electronic chains.

Increase in Sales of Home Office Products

A significant majority of respondents reported an increase in sales of telephone answering devices during the past year. Almost as many projected increased sales for the year to come, as well.

Product	Percent Currently Merchandising Product	Percent Carrying Product & Reporting Increased Sales Past 12 Mos.	Percent of Sales Increase Past 12 Mos.	Percent Carrying Product & Projecting Increased Sales Next 12 Mos.	Projected Percent of Sales Increase Next 12 Mos.
Telephone Answering Devices	100%	84%	27.5%	79%	27.7%
Typewriters	84	63	17.5	37	15.0
Personal Copiers	47	26	36.2	32	15.0
Facsimile Machines	37	21	65.0	26	21.3
Personal Computers	37	16	16.7	26	15.0

Source: LF research

Discounters Dial Profits with Phone, TAD Sales

(Continued from page 77)

only have a few seconds to make the sale. A clear representation of price and features must be available on store signage or samples in order for a customer to make a purchase, he said.

The Hills buyer added that packaging is crucial to sell merchandise in discount stores. He said he would like to stock more see-through boxes of telephones and TADs so that if the sample is missing the store will not lose a sale. He said vendors that have taken this approach are more successful in Hills stores.

Pivnicny said AT&T has been its No. 1 vendor since it started stocking higher-end products in the assortment. The chain is currently more successful and profitable in the promotional and mid-priced merchandise from such vendors as Conair, Cosmo, Code-A-Phone and Planned Technologies, he said.

John Zurlo, merchandise manager at Jamesway, said the Secaucus, N.J.-based chain stocks basic answering machines made by Panasonic, AT&T, GTE, Conair and Phonemate because most Jamesway TAD shoppers are first-time buyers.

Even specialty chains, which generally garner a higher percentage of more experienced, step-up users, report that most of their TAD sales are to first-time buyers.

The experience of Minneapolis-based Best Buy supports that trend, even though higher-end TADs sold well too. However, Brad Anderson, executive vice president, sales and marketing, explained that the problem with high-end product is that it has subtle benefits that are not always clear to all customers.

"Consumers want features that offer benefits that are easy to comprehend. Most of the higher technology like the IC chip really just makes the unit a little more pleasant to use. It is hard to sell those features in an environment with fairly limited sales assistance. It is the same as high-end audio; it is much more difficult to demonstrate advantages as features get more complex," Anderson explained.

In TADs, full-line discounter ALCO plans to add a very promotional answering device for $39 to an upper-end assortment ranging in price from $69 to $89. Richard Millner, CE buyer for the Abilene, Kan.-based chain, said his customers for the TADs are first-time users so he believes the promotional unit will do well.

During the second half of this year, ALCO will test an integrated phone and answering device that will range between $69 and $99. He said he tried to sell an integrated unit three years ago at $99 and it didn't sell well.

In telephones, the trade-up customer is being courted by most discounters. Jamesway will be selling multiple line phones this year. "Most households have two lines and we are getting many requests for them so we are reacting to the market," Zurlo said. The discounter will be testing an AT&T unit at a $99.99 everyday price in the first quarter.

Millner of ALCO said he had three very good years in a row on his 20-sku assortment of telephones and expects growth to continue.

Larry Richenstein, president, of Planned Technologies which markets Lonestar phones, believes decorator phones will be strong sellers in 1988 and multifunction phones have a great market potential.

Donna Trampel, president of Northwestern Bell, full-line distributor and one of the largest Bell companies to market phones nationally, said she believes consumers will spend more on products they can count on. However, she also noted that the great number of different products on the market is causing confusion.

Trampel cited research that indicates basics are growing, with 1.0 to 1.7 million basic units sold every year.

"Research indicates that the first-time buyer does not have a lot of money and wants an answering device that is easy to use, has remote, call screening and fast forward," Trampel said.

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MATTEL LICENSING

Wal-Mart Hands CEO Crown to Glass; Shewmaker Retires

(Continued from page 1)
structuring emphasizes one of Wal-Mart's major strengths—expense control—in that it does not add new levels of bureaucracy at headquarters.

Along with Glass' new title, the company announced the following promotions:

- Don Soderquist, board member and executive vp, operations and administration, to vice chairman and chief operating officer of Wal-Mart;
- Al Johnson, board member and exec vp, merchandise and sales, to vice chairman, responsible for the Sam's Wholesale Club division, Hypermart USA, and all specialty divisions;
- Paul Carter, exec vp of finance, to chief financial officer, and his name will be placed in nomination to the Wal-Mart board of directors;
- Bill Fields, senior vp, distribution and transportation, to exec vp, merchandise and sales, Wal-Mart Stores;
- Al Miles, senior vp of special projects, to exec vp of special projects;
- Joe Hardin, vp of distribution, to senior vp of distribution and transportation;
- Lee Scott, vp of transportation, to vp of distribution.

Few industry observers were surprised at Glass' promotion. "The Glass decision was made a couple of years ago," said Daniel Wewer Jr., an investment analyst at Robinson-Humphrey, Atlanta.

But, some said Shewmaker's retirement was unexpected.

In his 18 years at Wal-Mart, Shewmaker has held many management posts, including president, until 1984, when he exchanged jobs with Glass, who was then vice chairman and chief financial officer. At the time, the company insisted the switch was made to broaden each executive's experience, but many security analysts and trade observers felt that the change positioned Glass as the eventual chief executive officer.

In addition to his accomplishments at Wal-Mart, where he was instrumental in spearheading the growth of Sam's Wholesale Club into one of the two dominant chains in the membership warehouse club industry, Shewmaker has served on the board of directors of the International Mass Retail Association and helped form the Voluntary Inter-Industry Communication Standards committee working on standardized UPC bar codes.

The company announced that Shewmaker plans to take time off to spend with his family, travel with his wife, Melba, and devote more attention to his other businesses.

Glass was born and raised in Mountainview, a small town in central Missouri. He will turn 53 on Sept. 2. Glass was running a drug chain in Springfield, Mo., when Walton located a Wal-Mart discount store in that city. "I didn't pay much attention to it at first" because discount stores hadn't become a proven concept yet, but "when Sam opened his second store" in the market, "I decided to go take a look at it. Sam and I have been friends since," said Glass.

Glass joined Wal-Mart in 1976 as executive vp and cfo.

Stock analysts contacted by *DSN* felt confident that there will be no perceptible change at Wal-Mart as a result of the restructuring.

"The stock might be sluggish for a while, mainly due to portfolio managers who don't know these people, but the effect will be entirely psychological and short-lived," said Daniel Barry, a Kidder Peabody analyst.

The day following the announcement, Feb. 2, Wal-Mart stock fell ¼ point to 26⅞ per share on the New York Stock Exchange.

Wal-Mart Gambles That Small Town Hypermart Will Pay Off

(Continued from page 3)
ket, contains nearly 2.4 million inhabitants.

More importantly, total retail sales in the Dallas market of $17.3 billion dwarf the just over $1 billion in retail sales generated last year in Topeka, according to figures contained in *Sales & Marketing Management's* 1987 Survey of Buying Power.

To be successful, Wal-Mart's Topeka hypermarket will have to "become a regional trade center," said Duane Naccarato, Hypermart USA's vice president and general manager, drawing customers from nearby Lawrence (a college town that is home to Kansas University), Kansas City (about 80 miles to the east) and southeastern Nebraska.

"I didn't realize Topeka is as large and active as it is," said Walton, referring to shopping activity he observed in the market during the days prior to the hypermarket opening.

Naccarato said the hypermarket has "got to be [a regional shopping center]. We can't exist on a 160,000 county population." A shopping mall, anchored by a Dillard's department store, under construction near the hypermarket, is also expected to attract customers from far and wide.

Many industry observers speculate that a second type of hypermarket concept that Wal-Mart plans to unveil in Washington, Mo., on March 1 will become a more viable concept for the chain to unleash on smaller markets. Wal-Mart Super Centers—expansions or relocations of existing Wal-Mart stores which combine food and general merchandise but lack the attached freestanding food and service operations of the Hypermart USAs—are a good bet to "be quite successful," according to Stephen F. Mandel Jr., a researcher for Goldman Sachs.

In a report on Wal-Mart's foray into food retailing, Mandel notes Super Centers will benefit from "a built-in perception of great value among consumers" already familiar with the Wal-Mart name.

With the exception of some strong regional chains, supermarket competition for the Super Centers will be weaker in the small markets than in larger metro areas. And, since the Super Centers will draw many of their sites from existing locations, the potential to roll this concept out quickly is much greater than the expansion possibilities of Hypermart USA, which requires acres of real estate for stores and parking lots.

"You can argue it both ways," said David Glass, Wal-Mart's president and new chief executive officer (see story, page 1). "We're still learning a lot that we didn't know. It's an exciting prospect. Hopefully, both concepts" will result in furthering Wal-Mart's growth.

Among the "learning experiences" encountered by company executives was the fact that Hypermart USA needed more than the 40 checkout stands that the chain opened with in Dallas. Typical of the chain's ability to react quickly to problems, the pharmacy department in the Topeka facility was relocated out of the main hypermarket store and placed among the freestanding specialty outlets in the mall area. This move enabled the chain to add six additional checkouts at the front of the hypermarket and also provided more space for paper goods adjacent to the health & beauty aids section.

Other differences between the two Hypermart USAs:

- Unlike the Dallas hypermarket which has a salmon-colored ceiling, the Topeka store sports a white ceiling. Company officials are still debating which color they prefer: Walton mentioned that he liked the pinkish salmon in Dallas, while other executives felt that the white ceiling provided the Topeka unit with a "brighter" look.
- The Topeka hypermarket is the first in which Wal-Mart sources all supermarket products itself, with essentially a three-man buying operation headed by Rich Donckers, vp, food retailing. The Dallas Hypermart USA is a joint venture with Cullum Cos., a supermarket operator.
- The frozen foods department was moved to the front of the hypermarket after executives found that customers in Dallas tended to shop these items last to reduce the possibility of defrosting while shopping and waiting at checkout.
- The Topeka hypermarket's roughly 5,500 sku's of food items is about half the number stocked at the Dallas unit as Wal-Mart continues to fine-tune its venture into grocery retailing. The chain is targeting a 50-50 sales mix between food and general merchandise.

"So far, there's been no resistance to crossover shopping between general merchandise and food—shoppers are even buying apparel and food together," said Bill Fields, executive vp, merchandise and sales, Wal-Mart Stores. "We're pleasantly surprised with our success in this area."

Observation of shoppers' carts during the grand opening illustrated Fields' point. Some typical shopping baskets included food, comforters and H&BA items; cases of motor oil, cooking oil and frozen pizza; pillows, pineapples and laundry detergent; and, infants' apparel and groceries.

Gold Circle Spin-Off Possible

(Continued from page 3)
Analysts who believe that Federated will try an LBO said that the chain would be among the first divisions to be sold to finance such an effort.

While the sale of Gold Circle would be just a drop in the bucket toward financing either an LBO or Campeau's acquisition—analysts said the chain could generate about $500 million—selling the division would be viewed favorably by Wall Street.

"I think Gold Circle should have been disposed of years ago," said Harry Mortner, analyst with C.J. Lawrence.

"Gold Circle has been something of a poor sister in getting capital and management expertise at Federated," Mortner noted, "but if they were any good at discount retailing, the company would have grown like other discounters that started their businesses in the mid-60s."

During the past few years Gold Circle has met several directional and competitive challenges to which it has only been able to partially adjust.

The discounter doubled store count to 76 by acquiring the Atlanta-based Richway chain, trying to meld enough of the Richway staff into buying operations to educate Gold Circle staff on merchandising differences of the Deep South.

After the acquisition, a $50 million prototype plan aimed at developing apparel and home goods volume increased sales in those departments, while hard goods suffered from the shift in emphasis.

DISCOUNT STORE NEWS

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K mart Eyes Purchase of Interest in Makro

(Continued from page 1)
date may now be in late fall.

Makro, owned by SHV Holdings, is a European-style operation with as much in common with American hypermarkets as it has with other American wholesale clubs.

Unlike other clubs, Makro carries a full line of general merchandise, rather than a carefully pruned selection, which is generally considered a key distinction between the hypermarket and warehouse club concepts. Overall, it stocks about 20,000 sku's, compared to an average of about 4,000 at other wholesale clubs. It also carries a wider selection of grocery items, including fresh meat, and operates under a business-member-only philosophy.

If Makro were to end its strict membership requirements and throw the doors open to the public, the wider selection would make it nearly indistinguishable from the average hypermarket, apart from a size difference (Makro's outlets range from 130,000 square feet to 180,000 square feet; hypermarkets in Europe and America are generally larger, in the 200,000-square-foot range.)

The operations and management expertise K mart would gain through the purchase are particularly valuable to the company. Its major competitor, Wal-Mart, is well-established on the cutting edge of retailing with its Sam's Wholesale Club and Hypermart USA divisions, while K mart has lagged. K mart is at least a year behind Wal-Mart in the hypermarket business, and much more than that in the warehouse club industry. The acquisition of Makro could shrink that gap considerably in both areas.

Makro, with locations in the Atlanta, Philadelphia, Cincinnati and Washington D.C., markets, was founded in 1979 and has reportedly shown a profit only in the last two years, which is not unusual for high-volume, low-margin warehouse operations. It has a reputation as a canny merchandiser of bulk foods, as well as a competitive general merchandiser, with a special emphasis on apparel.

The company, led by chairman Joe Nusim, projected 1987 sales of about $400 million from its five locations, and announced an ambitious expansion program for 1988 and 1989, which would see new outlets in Baltimore, Cleveland, central New Jersey, Hartford, Conn., and Boston.

No purchase price was available and spokesmen for both companies declined further comment.

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ALCO Tests Mini-Hypermarkets

Unveils 3 Low-Cost Formats

By Mary Ellen Kelly

ABILENE, Kan. — Duckwall-ALCO has laid the groundwork for cultivating downsized hypermarket-type stores, without severing its small town roots.

The extent of the transformation hinges on the results of several new prototype stores, especially ALCO's three-month-old C.O.L.A. (Cost of Living Adjusters) everyday low priced, food and general merchandise store.

Robert Soelter, president and chief executive officer, said current and proposed ALCO test stores could result in a "mini-hypermarket" prototype, complete with some combination of general merchandise, groceries, automatic bank teller machines, fast food outlets and hair salons.

(Continued on page 57)

Robert Soelter, president and ceo, Duckwall-ALCO. (DSN photo)

Auchan Chooses Chicago For Its 2nd Hypermarket

By Laura Liebeck

HOUSTON — Auchan, a $7.5 billion French retailer that plans to launch its first U.S. hypermarket here late this year, will also open a second European-style hypermarket in a Chicago suburb, probably sometime in the early part of 1989.

Auchan

Texfield Inc., Auchan's American subsidiary, recently located its headquarters here and will be managing the Houston operation. A separate company will oversee the construction and management of the Chicago store, the first hypermarket in Illinois.

The growing list of U.S. hypermarkets now includes Biggs, which plans to open its second unit in Cincinnati this fall; Carrefour, which opened its first unit in Philadelphia earlier this month and plans a second unit in Brookhaven, N.Y., sometime next year; and Wal-Mart, which unveiled its Americanized version of a hypermarket in Garland, Texas, last December, followed by one in Topeka, Kan., in January. Wal-Mart's Hypermart USAs are also slated for Arlington, Texas, and Ferguson, Mo., later this year.

The two Auchan hypermarket oper-

(Continued on page 4)

Gold Circle Goes on Block in Latest Move to Thwart Takeover

CINCINNATI — In its continuing efforts to thwart the takeover attempts of Toronto-based Campeau Corp., Federated Department Stores unveiled a restructuring plan to sell off its Gold Circle discount chain and other non-department store assets.

The $11 billion retailer said it may also seek a "white squire" by issuing new preferred stock with a value of 15 percent of total outstanding shares in the company.

Such an action would frustrate Campeau, which had raised its bid to $66 per share, or about $5.84 billion, from its earlier $47 per share tender offer, because a Delaware anti-takeover law requires a company to own over 85 percent of stock in the targeted firm.

Chicago-based JMB Realty is said to be interested in assuming this white squire stance.

A Gold Circle leveraged buyout led by management is also being considered to preserve the chain, one source at the 76-unit discounter said.

The proposed sale of non-department store divisions—including Gold Circle, Ralph's supermarkets, Main-Street and Children's Place apparel stores—would provide Federated with cash to finance a possible LBO. Campeau had stated that it too would sell these divisions following a merger.

May Department Stores and Dayton Hudson Corp. have repeatedly been mentioned as among the most likely suitors for Federated divisions.

Department store divisions of Cam-

(Continued on page 58)

Buyers' MAGIC Goal: Find the Right Denims

LOS ANGELES — Discounters plan to hit the Fall 1988 MAGIC (Men's Apparel Guild in California) Show with dollars available for both immediates and back-to-school fashion trends.

The March 5 to 8 show at the convention center here will also allow discounters to confirm earlier commitments, while gaining some direction in fall colors, styles and denim treatments.

Most discounters told *DSN* that while denims will continue to be sought for back-to-school, they are still waiting to see just which treatment—acid wash, glacier wash, double dipped or stone wash—will be the most important.

For Manny Francione, vice president and merchandise manager for boys' and men's wear at Zayre, there is "no question [denim] is moving toward a darker finish." However, he said that at discount chains the trend may not shift as quickly as it might at department stores.

Currently, Framingham, Mass.-based Zayre is selling the light acid wash, glacier wash and some darker denims, Francione said. While piece goods and style commitments have been made for fall denims, he said the discount chain is still reviewing which finishes to go with—and in fact, may decide to go with a number of different finishes for back-to-school.

"We are trying to leave ourselves as flexible as possible" with denims," noted Andrew Hess, divisional merchandise manager of men's and boys' at New Castle, Pa.-based Fisher's Big Wheel.

"The big thing for me [at MAGIC] is to try and fine tune this," said Jim Feldt, boys' divisional merchandise manager at Hills, of the denim dilemma.

(Continued on page 31)

Fashion Finds Discount Stores & Vice Versa

Influenced by new store concepts, like Hypermart USA (above), and driven by the emigration of name brands from department stores, more moderately-priced fashion apparel is selling at discounters than ever before. See page 13 for DSN's expanded apparel coverage. (DSN photo)

Hypermart's Apparel Influences Wal-Mart

Coordination In Homewares

Design: o Basics

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